N. A. C. A. BULLETIN

Vol. XXVII, No. 21 July 1, 1946

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EDITORIAL DEPARTMENT NOTE

Cost accounting in service industries is always a fascinating topic; hence our lead article in the current issue should satisfy the curiosity which many of us have felt concerning cost problems and practices in the telephone business.

T. Stanley Vanneman, the author of the article, was born in Havre de Grace, Md., a town also famous for its efforts in improving horse breeding. He attended Tome Institute at Port Deposit, Md., and joined the Chesapeake and Potomac Telephone Cos. in 1911. For a number of years he held various clerical and supervisory positions in Baltimore and Washington, D. C. In 1919 Mr. Vanneman was transferred to Richmond, Va., and became successively Chief Accountant, Auditor of Disbursements, and Auditor. In 1938 he was transferred to Washington as Statistician. In 1941 he was appointed to his present position, Assistant Comptroller, which carries responsibility for Accounting Department methods, results, and personnel activities.

One of the by-products of the recent wave of labor unrest has been a revival of talk about guaranteed annual wages. Cost accountants should be able to answer management's questions as to the effect such plans are likely to produce on the cost of production and also on the organization necessary to carry them out.

Frank E. Coho has furnished a partial answer to these questions in our second article. He is a graduate of Franklin and Marshall College and of the Harvard Law School. He is a member of the Bar of Lancaster County, Pa., and served a term as Deputy Attorney General of Pennsylvania 1939-1942. Mr. Coho is presently engaged as Labor Counsel with Dravo Corp. of Pittsburgh, Pa. He is also an industry member of the Shipbuilding Commission of the National War Labor Board.

During the war, there was a dearth of new blood in cost accounting. Now that future cost accountants are once more entering our colleges, some thought might well be given to their training.

Stanley A. Pressler gives his answer to the problem. He holds degrees from Indiana University and Northwestern University Schools of Business. He is a Certified Public Accountant in Indiana. He has had a variety of experience both in teaching and industry. Since 1945 he has been Associate Professor of Accounting at Indiana University. He is also a Partner in Harry Stephens & Co., a Director of the Institute on Hospital Accounting, a Consultant for the Committee on Accounting and Statistics, American Hospital Association, and a Consultant to the U. S. Public Health Service on nursing education costs.

Articles published in the *Bulletin* present many different viewpoints. In publishing them the Association is not sponsoring the view expressed, but is endeavoring to provide for its members material which will be helpful and stimulating. Constructive comments are welcomed and will be published in the Forum Section of the *Bulletin*.

This *Bulletin* is published semimonthly by the National Association of Cost Accountants, 385 Madison Ave., New York 17, N. Y. Subscription price, $10.00 per year. Entered at the Post Office, New York, N. Y., as second-class matter August 28, 1925, under the Act of March 3, 1879.

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NATIONAL ASSOCIATION OF
COST ACCOUNTANTS

JULY 1, 1946

COST ACCOUNTING IN THE TELEPHONE BUSINESS

By T. S. Vanneman, Assistant Comptroller,
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Washington, D. C.

LIKE most other public utilities that are regulated, the system of accounts of The Chesapeake and Potomac Telephone Companies is prescribed by regulatory bodies. Both the Federal Communications Commission and the State Public Utility Commissions have a hand in prescribing definite accounting classifications for the industry. Fortunately they have prescribed identical systems, and therefore it is not necessary to keep two sets of books.

This uniform system of accounts for all telephone companies has many advantages; for example, there are 21 Bell System associated companies operating throughout the United States which are required to use the same system, thus providing a splendid opportunity to compare the cost of operations on the basis of some standard unit of measure.

Before getting into a more detailed description of cost accounting procedures, it is well to understand that by the very nature of our business we are selling service, rather than goods. In furnishing telephone service we aim to provide the American public with adequate, dependable, and satisfactory telephone service at a reasonable cost; however, the cost of a particular type of service is not necessarily tied in directly with the rates charged for that service. In most manufacturing businesses the cost of each article produced has a direct relation to the selling price of that article. In the telephone business the determination of the most appropriate rate treatment is dependent upon both the cost and the value of the service to our customers. Therefore, rates are established in a manner that will make telephone service of the character desired available to the largest number of people, consistent with rendering satisfactory service at a reasonable cost.

This does not mean that we are not vitally interested in cost, because we administer our day-to-day jobs by the use of cost accounting data. Numerous reports are issued currently showing the costs incurred in various operations. Indexes of performance are

developed by comparing actual costs with predetermined standards. The unit cost of constructing and maintaining plant, the cost of handling customers' calls, and the cost of rendering bills are some of the many activities in which we are very much interested.

Selling telephone service is quite different from selling other commodities, because the usefulness of telephone service increases as the number of customers increases.

Elements of Cost

A description of cost accounting procedures cannot be discussed in too general terms because it involves a variety of separate problems. The number of these problems varies with the number of cost elements which are peculiar to a given business.

In our business we have about the same elements of cost as are found in most others. However, the proportion of each of these to the total may be quite different from that found in other types of business, such as manufacturing or sales organizations. It would be well at this time to review some of the procedures involved, to afford a picture of the diversified problems and the approach we have taken in handling them in our cost accounting system.

Accounting for Materials and Supplies

Remembering that we are selling service rather than goods, it is our objective to convert material into a form of service rather than to dispose of it as an article in itself. We do this by using material and supplies in the construction of plant; in central offices, on streets and highways above and under the ground, and in customers' places of business and their homes. Under these conditions you can appreciate that our inventory of material and supplies is a comparatively small part of our investment, which consists almost entirely of plant in service.

We have a somewhat unique arrangement for obtaining our material, for we deal by and large with only one supplier, The Western Electric Company, which is the manufacturing and purchasing agent for all Bell Telephone Companies. This arrangement offers a number of advantages. For one thing, the material and equipment used by all of our companies is standard for specific purposes. This means volume production and purchases, and consequently a favorable price. It also enables us to take workmen from

different parts of the country and send them to a particular location to assist in reconstructing the plant damaged by a severe storm. One of the reasons this works out so well is that all the companies use the same kind of material and tools, and build their plants under the same specifications. Since this is the case, the borrowed men can come in and go to work immediately without any training, almost as if they were doing their day-to-day job at home.

Another point of importance in this arrangemnt is that in normal times our supplier practically always has what we want, or can obtain it quickly from the factory. This means that the telephone companies do not have to build up large stocks in their storerooms, because they are assured of quick deliveries in cases of emergency.

While most of our material is obtained through the Western Electric Company, there are a number of items, such as lumber, hardware, sand, gravel, and fuel, which are purchased by the telephone company direct from local suppliers. Material when purchased is charged into a supply account and a perpetual inventory record is maintained for each item. The total of this record is kept constantly in balance with the amount carried for the account as a whole in the general ledger. An average price of each item is developed, based on the quantities and costs at which the item is entered in the supply account.

The workmen prepare and forward to the accounting department daily work reports showing, by accounts, the quantity and type of material used. This material is charged out at average prices developed from our perpetual inventory record. Items of small value but large volume, such as nails, tape, screws, etc., are not reported as used by the workmen, but are charged when purchased, to a separate subaccount of the supply account, and cleared to the various investment and expense accounts on the basis of periodic studies made to determine their usage. When material is recovered and is fit for reuse, the original value of the material is charged back into the supply account and credited to the salvage account.

To sum up the accounting for material: supplies are carried in the supply account until used, at which time they are transferred to the capital or expense accounts. A perpetual inventory record is maintained by items, to reflect the movement of each item. Annual

inventories of stocks are taken and any differences disclosed between the record and the physical count are adjusted between the supply account and the capital and expense accounts to which the items in question are ordinarily charged.

The handling of material, however, involves costs which cannot be allocated to individual items on any practical basis. Such costs include the pay of storekeepers and their forces, rents of storerooms and pole yards, and the depreciation of lockers, bins, tools, and other stores equipment. All such costs are charged initially to an account known as Supply Expense, the total of which is distributed to the various capital and expense accounts on the basis of the respective amounts of material disbursed to each account, as determined in the manner previously discussed.

Accounting for Labor

The accounting for labor is divided into two main categories. The first group, our plant forces who construct and maintain the telephone plant, report on daily work reports, by accounts, the number of hours required to complete each job. In addition, they report for payroll purposes the number of hours paid for but not worked, such as vacations, holidays, sickness, etc. For each group of these workmen who perform the same kind of work, average hourly wage rates are developed by dividing the total wages paid by the productive hours. The productive hours charged to the various accounts are then priced out at this average rate, which has the effect of distributing the amounts paid for, but not worked, over all the jobs on which these men work.

The accounting for the remainder of the labor cost is generally handled directly to the final accounts on the basis of payroll amounts, without the necessity of reporting the number of hours worked on each job. We do this because these employees, such as operators and accounting clerks, generally are engaged full time on one class of work which can be classified directly to the proper accounts without the need of any information other than the payroll.

Naturally there are other elements of cost associated with plant labor. One of these, of course, is supervision, which we break down into two parts, local and general. This segregation in our cost accounting is made to reflect in the appropriate accounts the

amount of supervision which is proper. In order to understand this better, we should recognize that there are two levels of supervision, one which is within the area and the other which is at headquarters and is the top supervision of the plant department for the whole company.

Local supervision includes the superintendent of a district and his immediate subordinates, such as supervisors and foremen. The salaries of this group are apportioned on the basis of the payroll groups which they supervise. For instance, the installation supervisor's salary is apportioned to the installers' payroll groups, the maintenance supervisor's salary is apportioned to the repairmen's payroll groups, while the district superintendent's salary is apportioned to all payroll groups. The amounts are distributed to accounts through the average hourly rates of the workmen.

General supervision is distributed as a loading on other accounts, based on its relation to the total amount of labor of all forces supervised, including local supervision.

Accounting for Expenses

Closely related to the cost of plant labor are the costs incurred for automobiles and tools which are used by these forces. These costs are given specific treatment. First, it might be well to refer to what we call a "clearing" account and the purpose it serves. Automobile expense will be a good example of such an account. We all know that the cost of running a car includes a great number of different items, such as gasoline, oil, engine repairs, tire replacements, depreciation, license fees, etc. Obviously, all these costs must be included in the costs of building and maintaining the plant. It is just as obvious that it would be impossible to charge these costs as they are incurred to particular jobs or accounts. For this reason all costs in connection with automobiles are charged initially to a clearing account known as Motor Vehicle Expense. Within this account costs are subdivided by code numbers to indicate the class of vehicle for which incurred, as for example, passenger cars with special bodies used by installers, small trucks, and large trucks. At the end of the month it is possible, therefore, to determine the cost of vehicles by main classes and to obtain for each class the average operating cost.

Information is furnished the accounting department as to the

number of vehicles assigned to each group of workmen. Based on this and the average cost per vehicle, the appropriate amount of vehicle expense is assigned to each group. This amount is distributed to the accounts to which the workmen to whom vehicles are assigned reported their productive time on the daily work reports. Thus it will be seen that the clearing account for motor vehicle expense serves several valuable purposes. Its use makes it unnecessary to attempt to allocate automobile expense to the final accounts until convenient. Moreover, since all such expenses are assembled initially in a single account, the accounting department is enabled to furnish data on the cost of operating the fleet to those responsible for administering such costs. Comparisons can be made between companies, between districts, and with previous periods, all by classes of vehicles.

The cost accounting for tool expense is somewhat similar to that for vehicle expense. Another clearing account is used for this purpose, which includes the cost of small tools and tool repairs as well as the depreciation expense of large expensive tools carried in the investment accounts. The amount accumulated in this account is distributed monthly to the accounts reported by the respective groups of workmen on their daily work reports.

Accounting for Other Expenses

Other expenses include such items as rents, taxes, traveling, printing, postage, medical costs, etc. Such costs are usually reported to the accounting department through properly approved bills or vouchers charged to the appropriate account by the originating department. The summarization of these expenditures does not involve the problems encountered in connection with the elements of cost previously discussed; that is, material, labor, motor vehicle expense, etc. In the case of those items, since the reporting is not in terms of dollars and cents it is necessary for the accounting department to convert quantities of material and labor hours into costs. On the other hand, in dealing with the items of "other exepenses" we start out with costs, so it is necessary only to accumulate these by accounting classifications for the period involved.

It might also be well at this point to describe the use of another of our clearing accounts, namely, house service expense. This

account covers the cost of building service, including such items as wages of janitors and elevator operators, heat, water, power, and miscellaneous items of supplies, such as towels, soap, and floor wax. It is difficult to charge the costs involved directly to the departmental accounts as they are incurred; therefore, they are charged initially to the clearing account and summarized by buildings. At the end of each month the total cost for each building is distributed to the various departments on the basis of the number of square feet of floor space occupied by each. The data pertaining to occupancy is obtained from floor space reports furnished to the accounting department and kept up to date to reflect changes.

Payments covering such items as rents, taxes, and interest usually cover a period prior or subsequent to the month in which made, that is to say, quarterly or annually in arrears or in advance. For such items monthly distributions are made, so that the total amount will be apportioned equitably over the period to which the payment applies, in order that the monthly expense and the current liability or prepayment will be stated correctly.

Administrative Reports

From the summarizations of the various elements of cost, a final summary is prepared at the close of each month to obtain the total charges for each account. This summary, together with others covering revenues and other items of income, is used for posting the general books of the company and for preparing various financial and other reports.

Our corporate reports are probably similar in essence to those of other corporations. There is, of course, the income statement and the balance sheet showing the over-all results. Like other businesses, we have found that the income statement and the balance sheet alone do not furnish sufficient information to the management for determining that the results are satisfactory with respect to each of the various operations that go to make up the whole. In order that additional information may be presented to those in a position to use it, various administrative reports are prepared. These reports are for the most part prepared along three general lines; departmental, territorial, and by projects.

Departmental Reports

The departmental reports, as the term implies, are designed to furnish a summary of expenses incurred by the several departments. Naturally each department needs an accounting of its costs analyzed as to the major elements, such as salaries, house service, traveling, printing, etc. In the case of a large department with more than one major functional group within it, each group is usually charged to different accounts so that it may be treated individually. For example, in the traffic department data are furnished separately for the cost of operating the switchboards and for the general supervision of the department.

The information on the departmental report is considered necessary as an aid in the proper control of departmental costs. In order to bring out the significance of the figures contained, these reports usually show data for the current month, a comparison with the previous month, data for the elapsed portion of the current year, and a comparison with the corresponding period in the previous year.

Territorial Reports

The reports by territorial subdivisions are for the most part modeled after those just described, the main difference being that they are portions of the whole, which in our business we call "districts."

In displaying the data on reports, the expenses are usually related to common standards of measurement so that unit costs may be developed. In some cases this unit cost is per telephone when only a broad measurement is desired, or possibly the relation of a dollar of expense to one of revenue.

Where certain particular functions are subjected to cost analysis, a more directly related item is chosen. For example, a report is issued to display maintenance expense comparing the results of each operating district. The expense is shown by the various classes of plant maintained, such as pole lines, cable, wire, conduit, and telephones. Since the size of the districts and consequently the amount of plant varies, the expenses in terms of dollars alone do not constitute the whole story. However, when the amount for pole lines is converted to a cost per pole, and that for cable to a mile of cable, the difference between districts takes on added significance.

Project Reports

The reports of a project nature involve generally the investment accounts. In our company expenditures for the construction or removal of plant are submitted in advance to the board of directors for authorization. The amounts covering the various smaller routine projects, such as the installation of individual telephones, are submitted in total to cover the estimated requirements for a specified period. The larger, specific-estimate projects are considered individually and each is given separate approval.

Records of the expenditures are maintained in the accounting department for each large job and in total for the small jobs. The identification as to the job number is obtained from the daily work reports previously discussed, or from the bill or voucher covering the expenditure. In other words, each charge to the plant investment accounts must show the job number.

At the close of the period for small jobs, or the completion of the work for large jobs, a report is prepared showing a comparison of actual and estimated costs and an explanation of the reasons for any substantial differences. Any major deviations from the authorized expenditures are submitted to the board of directors for approval.

Accounting for Units of Property

In the preceding discussion I have mentioned frequently the term "plant investment," which constitutes the greater part of the telephone company's assets. You will appreciate that, in addition to the dollars involved, it is necessary to know at any time what this investment consists of in terms of quantities of the various items of plant, and also where these items are located. As a matter of fact, this is one of the requirements of the system of accounts prescribed by the regulatory commissions.

For practical purposes the items which must be recorded have been confined to the larger individual items, which in telephone accounting terms have been designated as units of property, as distinguished from the minor items. As an example, let us consider a telephone pole. In order to place this pole in service for telephone use it is necessary to obtain the pole, haul it, dig the hole, erect the pole, place steps on the pole for climbing, paint it in some cases, attach stencils showing the name of the company and pole

number, place crossarms or brackets for carrying the wire, and strengthen the pole by guying it, which requires anchors, strand wire, clamps, and other items of hardware such as nails, bolts, and nuts.

From all of this, two items have been selected as the units of property, not including of course the cable or wire carried which is included in accounts separate from the pole. These two units are the pole itself and the crossarm. In accordance with the system of accounts, the cost of adding a pole or a crossarm, including all the labor and cost of minor items that go along with it, is included in the investment account. Correspondingly, when a pole or crossarm is removed, the investment account is credited. These entries hold good not only when the additions or removals are made at different periods, but also when done practically at the same time, as in the case of replacements made because of deteriorated condition. As you can see, the objective here is to remove from the investment account the original cost of the old pole and substitute the current cost of the new pole. As opposed to this, replacements of minor items, such as the steps on the pole, do not affect the investment but are included in the operating expense accounts as a repair cost. The charges to operating expense for the cost of a unit of property are made during the course of its life by means of the depreciation accrual.

Quantity records of the units of plant are maintained in detail for each area for which separate investment records are kept. This latter requirement is necessary so that data can be furnished the Tax Commission as the basis for property assessments, broken down by the areas to which separate tax rates apply. In the case of plant such as buildings or switchboards the property records are by individual locations, while for movable items such as automobiles or furniture they are maintained for each article.

Retirement Unit Costs

You have probably been wondering how we determine the amount to credit the investment accounts when we retire or take plant out of service. Naturally this must include not only the material cost of the item, say a pole, but that of the minor associated items and the cost of labor, motor vehicle and tool expense, supervision cost, etc., that were properly allocated to its original

construction. Of course it is not practicable to break down our investment for poles, for instance, to show exactly how much is applicable to each pole. For the most part the poles in a given line were constructed in groups, and while we knew that the cost of this work in total belonged to the Pole Line Investment account, we could not segregate the cost for each pole.

In order to make the proper credits to the plant investment account for units removed, we develop what are known as retirement unit costs. These costs include the material and all of the other elements of cost involved in constructing a pole. Having established these unit prices, it is necessary that they be revised from time to time to reflect changes due to variations in cost levels. This might affect some items in which additions were made during the current period but not others for which no additions were made. The unit costs of some items will probably never change since they have been superseded by more modern items, but these costs will be used for many years until all of the superseded items finally are removed.

Accuracy of Quantity Records

The accounting records are only summaries of quantities within certain boundaries constituting accounting areas and do not show the exact location of the property, such as the name of the street or highway. However, such records are maintained in the form of drawings by our engineers, who must have this kind of information available for planning construction and rearrangement work and for making plant inspections. Periodically the quantities shown on these engineering records are tabulated and totaled by accounting areas. The totals thus obtained are compared with those shown on the accounting department's record. After investigation of any differences which exist between the two records, the records of the accounting department are brought into agreement with the location records of the engineers.

GUARANTEED ANNUAL WAGES

**By Frank E. Coho, Labor Counsel,
Dravo Corp., Pittsburgh, Pa.**

DURING the past two years we have heard much about full employment and high national income. The discussions have brought forward once more the question of the guaranteed annual wage and other devices for assuring employment and regularizing earnings. The subject was given considerable publicity during the war when it was placed before the National War Labor Board for consideration in connection with the labor dispute in the steel industry. The public received two distinct impressions. From the steel workers came propaganda that they had discovered a new device to increase production, decrease costs, and eliminate unemployment. The steel companies, on the other hand, feared that a guaranteed annual wage in the steel industry would have no effect on production, would increase costs to the point of financial embarrassment, and would place an unjustifiable burden of unemployment insurance on the industry.

Recent Developments

In the basic steel case,[1] the steel workers demanded a guarantee by the steel companies of 40 hours' employment at the employee's average rate for 52 weeks per year. In any week in which 40 hours' pay was not earned, the company would make up the difference between the employee's actual earnings and the 40 hours' pay. The Board denied the request of the Union but pointed out that stabilized employment and income were desired by industries and workers alike.

The decision in this case, although adverse, proved to be the forerunner of increased publicity for the idea of annual wages in industry. "Guaranteed Annual Wages," by Chernick and Hellickson, was published by the University of Minnesota Press in 1945. In the same year, the War Mobilization Advisory Board was authorized to conduct an inquiry into the whole question of guaranteed wage plans and the possibility of their future development

[1] Carnegie-Illinois Steel Corp., et al., and United Steelworkers of America, Case No. 111-6230-D, Nov. 25, 1944, 19 War Labor Reports 568, 653-669.

in American industries. In July of 1945 the War Labor Board startled employers by announcing that it had directed the inclusion of an annual guarantee of employment in a collective bargaining agreement between the Melville Shoe Corporation and the Retail Shoe Salesmen of New York, Local No. 1268. This order provoked so much comment that a supplemental opinion was issued, explaining the unusual circumstances of the case. Subsequently, the Federal Council of Churches added its voice in an Annual Labor Sunday message and urged an assured annual wage for all workers and an adequate annual income for every family.

Co-ordination of Production and Use

America will have reached an ideal economy when everyone able and willing to work is employed and, as a result of his own efforts, is able to support himself and his family and fulfill his obligations to the community. Employers and employees alike desire this goal. We all know that America has the natural resources and machinery to accomplish a high standard of living for everyone. The problem that has not yet been conquered is the problem of coordinating production and use in such a way that the man who is able and willing to produce shares proportionately in the products produced by himself and others.

The publicity that guaranteed annual wages have received recently has had a tendency to create the impression that they are a panacea for the economic ills of the country. This is an exaggeration of their importance. The annual wage plan has about the same importance to industry as fog lights have to an automobile or an irrigation system to a farm. Just as fog lights are no help on clear nights and an irrigation system is useless where rainfall is plentiful, so guaranteed annual wages provide a useful tool only in industries facing seasonal fluctuations.

Types of Plans

The term, guaranteed annual wage, has been used to express the idea of year-round employment. In practice this idea finds expression in three types of plans, and many specific plans incorporate features of all three types. These are

1. Guaranteed employment
2. Guaranteed annual wage
3. Wage advance plan

Guaranteed Employment Plans

A well-known manufacturing concern guarantees its wage earners who have been in the company's employ for 24 months or longer 48 weeks of employment every year with at least 40 hours' employment in each week. The company instituted the plan in 1923 and is enthusiastically carrying it out today. It has protected itself against seasonal fluctuations by retaining the right to transfer employees to whatever type of work is available. In another instance, employees who have been with the company six months or more are guaranteed 48 weeks of employment every year without, however, a guarantee covering the number of hours to be worked each week. The company is protected by being able to vary the work week to meet seasonal demands. However, it is interesting to note that since the institution of this plan in 1936 the employees have had at least 40 hours' work each week throughout the entire year.

In both of these instances of guaranteed employment, the plans were instituted by management because of the desire to eliminate the numerous layoffs that had occurred when there was no long-range planning for the sale and distribution of products. Hence, a necessary preliminary step in reaching an annual employment plan was to work toward the stabilization of production and employment. For the second concern mentioned above, seasonal demand for products regulated employment, and prior to the year 1932 the company had a history of two or three layoffs each year. New methods of marketing were worked out so that dealers' shelves would be stocked more regularly throughout the year. Added lines of products were brought into the company so that there could be activity in normally dull seasons. It required four years of constant work to reach the point where results were reflected in stabilized employment to the extent that it was practicable to institute a guaranteed employment plan. The company feels, nevertheless, that the efforts have proved worth while. The plan has had the effect of assuring employees of constant employment so long as they are able and willing to work, with the further assurance that as they show greater ability they will share more and more in the company's management. The company has benefited from higher morale, and lower turnover and labor costs because of a predictable and steady production schedule.

Guaranteed Annual Wage Plans

Guaranteed annual wage plans may best be illustrated by the schemes of two well-known concerns. In one, every regular employee receives 52 checks every year for a 40-hour work week. At the other plant, an employee receives 52 pay checks every year which are paid out of a fund representing 20 per cent of the wholesale value of product packed. At the former concern, the employee knows in advance what his annual wage will be, and at the latter, the employee knows that he will be employed for a full year with earnings in any week varying according to the business of the company. Both companies protect themselves against seasonal and cyclical variations by having extra employees, not covered by the plan, to carry them over rush periods.

The annual wage plan of the first-mentioned concern was instituted as the result of a realization that the company was experiencing unnecessary cycles of employment and unemployment. In 1929 the business had been built up to three shifts as a result of a sudden demand from housewives. Shortly after the company had put three shifts in operation, every housewife had a shelf supply of the product and the demand dropped. A large number of employees were laid off. The repercussions set the company to thinking about the matter but it was 1938 before it was practicable to put an annual wage plan into effect. Before the plan could be made to operate it was necessary, as in the case described in connection with guaranteed employment plans, for the company to develop various sideline products not formerly handled, so that employees could be kept busy throughout the year.

Both guaranteed employment and guaranteed annual wage plans sometimes include a joker from the standpoint of the employee. Some companies limit the number of eligible people so strictly that the company, in effect, is not required to make any effort to reduce turnover or unemployment among a large number of employees. Thus, any benefits to the company in security to a few employees are lost, in such instances, by the lower morale of the marginal workers.

Wage Advance Plans

Among the concerns having wage advance plans are a mail order company and one engaged in manufacturing. Under the plan in

use by the former, the employee receives 40 hours' pay each week whether he works full time or not. However, in rush seasons he works beyond 40 hours a week without overtime in order to make up the unearned pay that he has previously received. In addition, the company has protected itself by retaining the right to lay off employees whenever necessary.

Under the plan in use by the second company, employees paid on an hourly basis, having five or more years of service, are given advances when laid off amounting to the difference between unemployment insurance or outside income and 60 per cent of standard weekly earnings. The intent is to assure the employee of the equivalent of wages for 24 hours each week. Half of subsequent earnings, beyond those for the first 24 hours each week, are retained to repay these advances. The company also has a plan of short-term benefits in the form of nonrecapturable advances. Under it employees of one year or more of service receive in short work weeks enough to equal the amount the employee would have received for 48 hours' work during a two-week period. The amount of make-up pay in a year is limited to 54 hours for employees with one year of service, and is graduated up to 120 hours for employees with ten years' service. It thus serves as a means of preventing excessive turnover and promoting company loyalty.

Origin and Extent of Use

There are many variations of guaranteed employment, of annual wage and wage advance plans in various industries throughout the country. Guaranteed employment was tried as early as 1894 by the wallpaper industry. It is interesting to note that, although at the present time the demand for guaranteed employment or earnings is coming from unions and workers generally, nearly every plan now operated was instituted by the management. In fact, one of the plans described above was knocked out by the union for a year, before it realized the advantages of the plan. References to books or articles that contain information on plans in force are listed on a subsequent page of this issue.

Some of the plans used sound so unrealistic that it is hard to believe that they actually operate. However, the following provision is apparently being successfully carried out in a contract between the Amalgamated Clothing Workers and cleaning and dye-

ing plants in Detroit, Michigan. The contract provides that "all employees shall be guaranteed an annual wage, such wage to be arrived at by causing a multiple of 40 times the hourly rate set forth herein, as the total weekly wage to be paid." It is not clear how many plans are in use throughout the country because it is only recently that information concerning many of them has been available. In the Monthly Labor Review for July, 1938, on page 52, the following appeared: "Plans for guaranteeing income or employment on an annual basis are extremely rare in the United States. So far as is known, there are only three companies employing as many as 100 workers which have such plans in effect at the present time." In the same publication for April, 1945, however, the Department of Labor was aware of many more plans.

Advantages of Plans

Companies that have instituted such plans have found that they more than pay for themselves. In fact, these companies have emphasized stabilization of employment so that the plans would be sure to be self-supporting. These same companies have found that by the use of such a plan they have been able to retain skilled workers against spasmodic demands of outside employers for their services. They have found that there has been better morale among the employees and lower turnover. Direct labor costs have been cut because in each instance where a plan has been put into operation the company made certain of the necessity for the guaranteed employment before using it. And the old adage about a bird in the hand being worth two in the bush still holds in the matter of wage rates. In addition, there is less employee opposition to technological changes when it is known that the changes are not going to result in abrupt layoffs.

Disadvantages of Plans

Against the advantages are to be weighed the disadvantages. Unless employment can be stabilized, a guaranteed plan of any sort is a millstone about the neck of the company. It will result in payment for time not worked to varying numbers of employees. The plans require long-range planning of future operations of the company, both in selling and producing. In addition, where the

plans cover only a fraction of the employees, the greater the security for regular employees, the greater the insecurity for marginal employees.

Companies with such plans have had to rely upon various safeguards against depressions and unforeseen business troubles. Although the annual guarantee is effective in controlling seasonal variations throughout the year, it has never been applied where the cycles extend over a period of several years or are inherently unpredictable and unavoidable. The safeguards on plans in operation include layoffs in case of lack of business, the use of extra workers during rush seasons or of considerable overtime from employees where extra workers are not used, unlimited transfers from one type of work to another, variations in work weeks, variations in pay, limitation of funds available for a plan, and discontinuance of plans altogether where operations of the company have completely changed.

Feasibility of Plans

We come then to the question of whether industry can gain any material benefit by the use of guaranteed employment, guaranteed annual wages, or a wage advance plan. At the present time the answer will generally be unfavorable. These plans are only devices to bring about stabilized employment. Stabilized employment can be accomplished only where the market for the company's goods has first been stabilized either by changing the habits of customers or changing the products or services offered, or a combination of both. Before industry generally can apply such plans it will be necessary to diversify products and services within industrial companies to keep employment stabilized. To institute such a plan, it is necessary to determine first, the market or markets in which a company wishes to operate, and second, the exact size of the portion of the market that it desires to handle. If the point were reached where, year after year, the company could point to a market of its own that would not fluctuate more than 50 per cent up or down from the established normal, it would then be time to think about stabilizing production so as to have the advantages of steady employment, higher morale, and lower labor costs that cannot exist where the company's output is not known and is not predictable from month to month.

Small portions of any company can, of course, be put upon a guaranteed employment plan, or an annual wage plan, or a wage advance plan. These would of necessity be composed of such groups as office workers and basic production forces. Such a plan, of course, would have no appreciable effect, and might even be harmful to any company using it because of the fact that a disproportionately large number of people would be excluded from it.

Future Trends

Undoubtedly there will be a movement by both labor and industry during the course of the next several years to have more and more companies operating under such plans. As these plans spread from the present limits of consumer goods to durable goods the ability of more and more companies to institute such plans will be increased. The institution of such plans must be an ultimate goal of all industries if and when they find their markets stabilized. But until such stabilization occurs, and it may never occur with such industries as construction and shipbuilding because of inherent fluctuations, such plans have no benefits for an individual industry and will prove to be unproductive expense.

The Government as well is undoubtedly going to show an increasing interest in the subject by attempting to enact laws requiring guaranteed wages or guaranteed employment. A step was taken in that direction under the Fair Labor Standards Act of 1938, in providing exemptions from overtime payment for employers who guaranteed annual employment of the wage advance variety. In New York, under its minimum wage law, the Department of Labor of that state has been upheld by the highest court of the state in prescribing minimum weekly wages in the confectionery business. (Mary Lincoln Candies, Inc. v. Department of Labor of New York, 289 N. Y. 262, 6 Labor Cases, No. 61, 346, Dec. 3, 1942.) For the next several years the Federal and State Governments are likely to continue to encourage such plans.

Until recently, there has been little unfavorable criticism of the annual wage plan since the matter became a national issue. Professor Herman Feldman, whose book on stabilizing jobs and wages is a standard text, is the author of an article in Advanced Management which analyzes annual wage plans. He gives six

reasons why in his opinion an extension of annual wage plans to industry on a broad scale would not be beneficial:

1. It would increase unemployment to a maximum since industry would use skeleton staffs in order to avoid liabilities of a large labor force. Employers would seek every possible labor-saving device.
2. It would discourage the formation of new business ventures.
3. It would freeze risk capital, because concerns would have to provide reserves to protect workers.
4. It would further decrease the mobility of labor by encouraging workers to wait idly until they could return to their jobs.
5. It would impair discipline since a worker might encourage discharge so that for a time he could get a full salary without working.
6. There is already an unemployment insurance system in effect, so why duplicate it?

Perhaps Professor Sumner H. Slichter of Harvard University most forcefully pointed out the greatest weakness of the guaranteed annual wage when he said recently: "Security has its place in a scale of values, but a civilization which places security too high in its scale of values will suffer chronic unemployment. It will be more or less stagnant."

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COLLEGE TRAINING FOR INDUSTRIAL ACCOUNTING

By Stanley A. Pressler, Associate Professor of Accounting, Indiana University School of Business, Bloomington, Ind.

DURING the past ten years great strides have been made in the academic offerings to those persons interested in industrial accounting as a profession. The need for a discussion of the current approach is readily seen when we note the high percentage of men in responsible positions in the industrial accounting field who think of college preparation in terms of their own experiences of fifteen or twenty years ago. Too often these men, speaking before professional groups or to accounting students on university campuses, give evidence of the fact that they have not kept themselves informed of developments in the academic training for their profession. More regrettable still is the fact that so many of these men have not participated in or contributed to this development, for their assistance is very much needed.

Now, if ever, the teacher of industrial accounting and the practitioner must face the necessity of cooperation in the further development of college curricula. Our schools of business are crowded with discharged veterans, the finest group of mature, intelligent, serious-minded, and interested young men it has ever been our privilege to serve in our college classrooms. This article is written in the hope of serving in a small way to stimulate industrial accountants to offer helpful suggestions which may contribute to the betterment of our academic work.

Development of Industrial Accounting Curriculum

In approaching the problem of developing an industrial accounting curriculum for a four-year college course we face the difficulty that is common to all professional curricula; namely, the distribution of the specialized and general courses within and without the field throughout the period of training. Professor Boyd, of the University of Illinois, presents an excellent discussion of the various philosophies in his article in the January, 1946, issue of the *Accounting Review*.[1] To summarize briefly, he discusses three

[1] Accounting Review, January, 1946, "A Suggested Program for College Training in Accountancy."—Boyd.

approaches: (1) the horizontal approach, which provides for so-called cultural courses to be offered first, followed by the professional courses; (2) the vertical approach, which provides for the student to take both professional and general courses in each semester of his college work; (3) the diagonal approach, which places the emphasis on general courses in the first two years accompanied by some professional courses; this is followed in the last two years by emphasis on professional courses accompanied by some general courses.

The diagonal approach seems the most feasible in the development of an industrial accounting curriculum. A majority of the students entering college are undecided as to their field of specialization. In most cases they do not have adequate background or knowledge to make a selection. Although they may have decided to enter the business world upon graduation, the number of possible avenues of specialization open to them in our present-day schools of business renders choice difficult. If, during the first two years, they are permitted to take the basic courses in the various professional fields along with their liberal arts courses, they will be better able to select their field of specialization upon entering the third year. They will be more mature, will have a better knowledge of the work and their own aptitudes for the various professional fields, and will have had the benefit of the counsel of various faculty members.

This plan permits the student ample opportunity to specialize during the remaining two years. At the same time, we should not lose sight of the fact that only the more mature student can realize the fullest value from some liberal arts courses, and provision should be made for him to carry at least one course outside the school of business during each semester of the last two years. Further, we must recognize that the successful industrial accountant has heavy supervisory responsibilities. Technical training alone does not prepare him to meet these problems. As broad a cultural background as possible must be provided which, coupled with his early years of experience upon leaving college, should contribute to his preparedness to supervise the work of other people and meet the many problems which this entails, as well as to take his proper place in management. C. E. Jarchow, of the International Harvester Company, describes these responsibilities very

effectively in a recent article entitled "The Factory Accountant's Place in Management," which appeared in the *Bulletin* of February 15, 1946. Careful analysis such as this is most helpful to academic faculties in the development of an industrial accounting curriculum.

Selection of Courses

During the first two years of study, the student might well be required to take liberal arts courses in the following subjects:

English Composition
World Literature
History
Science, Mathematics, or Languages
Political Science
Principles of Economics

He may elect other courses. In addition, he should be required to take the basic courses in the various accounting and related fields as follows:

Introduction to Accounting
Intermediate Accounting
Principles of Marketing
Business Law
Corporation Finance

In addition, students who elect industrial accounting as a major might also be required to take these courses:

Industrial Accounting
Advanced Industrial Accounting
Standard Costs
Distribution Cost Accounting
Budgeting
Income Tax
Auditing

Finally, it would be advisable for such students to elect some work from the following advanced accounting courses:

Fund Accounting
Systems
Advanced Accounting Problems

Advanced Auditing
Advanced Income Tax
Certified Public Accounting Review

Courses in other fields should be elected with the aid of the faculty advisor. Additional work in the following fields is especially important:

Finance
Business Law
Management

In the case of management, courses in principles of management, factory management, and personnel management are especially valuable to the industrial accountant. Other electives may be selected from the following:

Principles of Insurance
Commercial Correspondence
Report Writing
Public Speaking
Principles of Advertising
Statistics
Money and Banking
Advanced Economics

The student's interest in any work in liberal arts, music, or fine arts should be given as much free rein as time and the capacity of the student permits.

The privilege of taking industrial accounting in the second year should be granted to students interested in doing so, to permit them to get an early insight into this field. On the other hand, students entering the third year with the intention of specializing in accounting for the purpose of working with a public accounting firm may discover a greater interest in industrial accounting, and under the program outlined above, have adequate time to change to industrial accounting.

Organization of Course Materials

The college professor charged with the teaching of industrial accounting courses does not develop his course materials success-

fully from behind his office desk. He must maintain a current personal contact with twelve or fifteen manufacturing organizations engaged in widely varying lines of production. He must spend a substantial portion of his time in the offices and plants of these companies observing the accounting work and discussing problems and procedures with both the supervisors and the people who do the detail work. Forms with actual or illustrative figures should be collected and coordinated into coherent examples of payroll accounting, material control, labor distributions, overhead analyses, operation costing, etc., for classroom presentation. For the benefit of the students, textbook theories should be made real by such illustrations, from companies of which they have knowledge. The application of theory to practice in the manufacture of products with which they are familiar serves to impress upon the students the value of the subjects studied. It also impresses upon them the fact that their instructor is familiar with current practices and developments in industrial accounting and stimulates them to greater effort. They become acquainted with a variety of forms and methods of approaching problems under various operating conditions.

In addition to the personal contact with industry, the industrial accounting teaching staff should avail itself of an advisory committee composed of at least three industrial accountants with a broad background of training and experience. This committee should meet with the staff two or three times each year to discuss course content and the materials which need greatest emphasis. Much valuable assistance can be gained from such a committee if properly selected, and a real contribution made in this way to the industrial accounting curriculum. Members of the committee and other industrial accountants should be invited to address the cost accounting classes occasionally on special topics. Such talks are appropriately planned with the assistance of the professor, in order to form an integral part of the training program, and not become, in the language of the students, "just another talk by a business man."

"Internships" in Industrial Accounting

Despite the efforts outlined above, the student will still lack personal contact with industry. Properly conducted plant visits

with well-organized follow-up discussions help but do not fill the gap. After the student has had two or three years of study in accounting, he needs to have the opportunity to do actual industrial accounting work in order that he may benefit more from the study of his remaining courses. Probably the best time for him to have this contact with an industrial accounting office falls between his third and fourth years in college. He may enter an office for the three months of summer vacation. He has had sufficient training to permit him to "pull his own weight." Acting as vacation relief, he has an opportunity to obtain an insight into a number of office procedures. In some cases it may be desirable for him to remain out of school for a semester in order to get full advantage from this experience. Basically he should get three things out of this internship:

1. An opportunity to observe the physical operations of a plant for a sufficient period of time for them to become significant to him.
2. An appreciation of the enormous amount of detail flowing through an industrial accounting office and the clerical organization necessary to handle it, a concept impossible to impart in the classroom.
3. Knowledge of the fact that systems and procedures do not work perfectly because of the human element and the various personalities back of the paper work.

Upon his return to his studies the student is better able to visualize the application of accounting and management principles, especially as related to the particular plant in which he has worked.

A by-product of this arrangement is the opportunity which both the student and the company have to observe each other with a view to considering full-time employment after the student graduates. Often a graduate does not fit into an organization by which he is employed. If the management had had an opportunity to observe the student during an internship, such an experience after graduation could be avoided. Further, the internship may convince the student that he would not be happy in industrial accounting work, and he can then revise his curriculum to prepare him for some other field.

The internship arrangements must be worked out carefully between the school and the companies. Industrial accountants must realize that in taking an inexperienced person into their office they are assisting in providing training in industrial accounting for men who will serve as a future source of supply for the expansion and replacement requirements of their own organizations. Furthermore, there is a responsibility which industrial accountants should share in the development of the profession to the point where its full usefulness will be recognized.

Post-College Training

While the college graduate in industrial accounting with the background outlined is certainly not as "green" as his predecessor of some years ago, he has, nevertheless, merely begun his training. Here again industry cooperation is important. New employees who, because of their college training, are expected to assume responsible positions later, should not be submerged in detail while "going through the mill," to the extent that they have little or no opportunity to observe the organization or to familiarize themselves with the personnel. Management should encourage and provide them with opportunities to study products, processes, and equipment. A good cost accountant knows nearly as much about these matters as his company's engineers. He must know not only the "What," but the "Why" as well. Some progressive industrial accountants permit their new men to work a month each in different departments, such as stores, production control, time-keeping, etc.

As in any worthwhile profession, there is no end to training and development in industrial accounting. Further technical training may be acquired through evening classes, correspondence, and self-study. Excellent material is carried in the professional accounting journals. The technical articles carried in the *N. A. C. A. Bulletins* are recognized as the best industrial accounting literature available. The successful industrial accountant will not overlook the importance of continued study beyond his college training.

As he works and advances with his company he must beware of becoming narrow. He must not fall into the rut of thinking that what his company does is necessarily good industrial accounting practice or that it is representative practice. This is possible

if he is not fully aware of what others are doing and if he does not keep abreast of current developments. Membership in professional organizations provides both technical sessions and acquaintanceship with others engaged in the same type of work. A man is not apt to become narrow professionally if he takes an active part in the affairs of an industrial accounting organization and cooperates with a university in its training program for industrial accounting.

Conclusion

There are many successful men in industrial accounting who were not college trained. As in most other fields, however, the value of college training has been recognized. Further improvement in training can be brought about only through cooperation between the educator and the industrial man. With a more nearly complete understanding of each other's problems and objectives, the industrial accountant who teaches and the industrial accountant who practices can work together in the betterment of the profession through providing a program of training and development that will contribute the necessary ingredients to enable industrial accountants to assume greater responsibilities in the field of management.

OUR OPEN FORUM

Replacement Values and Insurance Coverage

Editor, N. A. C. A. Bulletin:

Under present conditions of high replacement costs, the plant and equipment in most companies could not be replaced at anywhere near book values. It would appear desirable, therefore, for accounting officers who are responsible for maintaining a watchful eye over insurance matters to review the amount of insurance coverage against fire and other hazards, making sure that it it adequate.

It is difficult to determine exactly how much insurance should be carried to provide adequate coverage. Clearly there is no direct relationship between the book value of the assets insured and the amount of insurance that should be carried, especially under current conditions. Replacement cost rather than original cost is the most important factor in determining adequate coverage.

A practical question to be raised in any given case is the question of how much would be collected in the event of a loss. When faced point-blank with this question insurance agents are likely to look a little hurt, as if you questioned the integrity of the company they represent, or they are apt to be a bit vague, in part because the agent is not the fellow who will settle the claim if there is one, and in part because of the many complexities and variables that enter into the settlement of any claim. Agents with whom I have talked have usually pointed out that the total amount paid will not exceed the amount of the insurance carried, and then have indicated that within this ceiling the amount paid will be replacement cost less "reasonable" depreciation.

Replacement costs can be established sufficiently closely with the aid of engineers, contractors, appraisal firms, and machine-tool manufacturers. Blanket percentages representing the best judgment of qualified men as to increases in replacement costs over a company's actual costs may be applied to assets by groups, to arrive at approximations of replacement costs that are likely to be close enough for use in determining the amount of insurance that should be carried.

The determination of "reasonable" depreciation, however, is quite another matter. "Reasonable" is a weasel-word that defies close calculation. What is reasonable depreciation for insurance purposes on assets that have been fully depreciated in the books of account? If machinery and equipment have on the average served half their useful life, as measured by schedules such as those to be found in the Treasury Department's Bulletin "F," is the reasonable depreciation for insurance purposes 50 per cent? One agent with whom I have talked concerning a specific case, in which the machinery and equipment had served approximately half of their service life, intimated that the insurance adjuster would be more reasonable than this in his allowance on a claim. It was his opinion that on the average the adjuster would deduct 20 to 25 per cent from replacement costs for reasonable depreciation in this situation rather than 50 per cent. Obviously the difference between a deduction of 25 per cent and one of 50 per cent is substantial, and whether it is to be one figure or the other, or somewhere in between, is a very important matter in determining the amount of insurance that should be carried for complete coverage. Having determined the amount of insurance necessary for complete coverage there then remains the question of how much of the risk, if any, the insured company is willing to carry itself.

It would be very helpful to me, and I am sure to many others, if some of our fellow members would describe in the Forum Section how their companies go about establishing the amount of insurance to be carried. It would also be useful to have expressions of opinion as to what should be done about insurance coverage under present conditions of increasing replacement costs.

C. B. Nickerson,
Boston Chapter.

What Price Emergency Facilities?

Editor, N. A. C. A. Bulletin:

The termination of the emergency period, by Proclamation of the President of the United States, in relation to amortization of the cost of emergency facilities acquired under certificates of necessity, did not terminate the usefulness of many such facilities. It has been said, "Nothing can have value without being an object of utility". That is certainly true of material things. The books of many enterprises today reflect no value for facilities which are useful and used in daily production. Should their value be restored upon the books? If so, (1) when? (2) to what extent?

This brief letter cannot cover all details of the subject in approaching an answer to the questions posed. However, the answer to question (1) is "Now," because postwar planning for peacetime production should demonstrate the usefulness, if any, of the facilities in such connection. As to (2) the answer must of necessity depend upon the circumstances of each particular case, and go to the conditions surrounding each facility within each case.

Should restoration be considered from the financial accounting point of view, the balance sheet and income statement in the future, or in the light of cost accounting needs, or both? It would seem that the desirability of restoration of value should depend upon the needs for both purposes, accurate financial accounting and correct costing. Some will not favor restoration on the books because of their dislike for write-ups. In an interesting article by Carman G. Blough on this subject in *The Journal of Accountancy* for December, 1945, entitled "Accounting for Fully Amortized Emergency Facilities Having Substantial Continuing Usefulness", it is said "However, restating such assets at an amount no greater than normally depreciated costs involves no action that could properly be described as a write-up; the transaction is one of properly allocating the cost of the assets between its past and future operations." This position naturally follows only in those cases where continuing value is clearly demonstrated.

Caution should be exercised to make sure that values are not restored merely as a bookkeeping process, without regard to the factual existence of value. Relatively to the given case the value should be restored only when it is significant. No cut and dried method can be proposed for evaluating the facilities to all enterprises. In many, no continuing value can be demonstrated and to restore value to the accounts in such circumstances would result in an accounting absurdity. Sound economic value must be present.

The basic concept giving rise to "emergency facilities" and the "amortization" of their cost was that no value thereto would remain when the war was over. Clearly this theory, like all theories, can be overcome only by facts. If the cost of facilities has been fully amortized the enterprise has generally absorbed the cost through the income account, with the benefit of a subsidy through tax saving. This has resulted in many cases in the enterprise sustaining a loss, charged against income, of upward of 15 per cent to 28 per cent in relation to the cost of the facility, the remaining 85

per cent to 72 per cent representing a tax saving in relation to cost. Thus, when the tax saving is considered, the enterprise made an investment of from 15 per cent to 28 per cent in the cost of the facility which it charged off, with little regard as to whether or not it actually had sustained a loss to that extent.

Before restoring value for the cost of emergency facilities fully charged off due consideration should be given to the value of other facilities acquired in the normal course of business, which may have been or will be displaced through the continuing use of emergency facilities. In many cases a present charge-off of such other facilities should go hand in hand with a determination that value exists and should be restored with respect to emergency facilities. The long-range view of continuing value to emergency facilities should be carefully measured. Continuing value to such other facilities should have little part in a decision to restore value. These factors and many others should be carefully weighed before a final conclusion is reached to put emergency facilities back on the balance sheet, with provision for normal depreciation in the income account of the future. And remember, future depreciation on restored values cannot effect savings in taxes on income.

I. Russell Bush,
Philadelphia Chapter.

Depreciation and Pricing

Editor, N. A. C. A. Bulletin:

In the February 15, 1946, issue of the *Bulletin* Mr. Determan states that it is not a sound approach to the pricing of products to suggest that "for pricing purposes depreciation might better be considered as part of the profit margin and be omitted from cost." Surely no great harm can come from "considering" the facts in any given situation. Undoubtedly, extreme caution must be used in testing any policy—taking risks is half the fun of the free enterprise system—but the point of the article by the writer in the November 15, 1945 issue is that what the cost accountant would not be allowed to do directly, namely, dictate the policy, he should not attempt to do indirectly by presenting cost figures which fail to disclose all of the elements going into the costs and the concepts upon which they were based, thus depriving management of any real choice of policy, at least to the extent to which they rely on the cost accountant's figures.

The phrase quoted by Mr. Determan is better understood if the whole paragraph on page 226 is read. Taking quite a common example, we often find a company where the depreciation on part of its plant is computed by annual engineering studies which, outside of obsolescence, give a reasonably sound estimate of depreciation; another part of the plant is depreciated at rates settled with the Federal Income Tax authorities on a basis which usually has little relation to the physical facts of depreciation. Another part of the plant may be fully depreciated, but a depreciation charge is set up, nevertheless, on the theory of stabilizing income or prices, or protecting

the prices of future products that will be made on new machines when the fully depreciated ones are abandoned. The cost of still another part of the plant may have been fully recovered by amortization but it has been considered good business to write the assets back on the books. The total of this conglomeration is then spread over some arbitrary base, for example, "normal annual machine hours of operation" and appears as so many cents and fractions of a cent per hour and that is the last time we see depreciation as an entity. It then disappears into overhead rates, product costs, etc. My point is that these facts should be disclosed so that the management, when confronted with a particular situation, would know at what price they start losing "money."

In those plants which do not have modern labor-saving equipment and which sell in a competitive market, it will usually be found that the price does not include "the hours of labor which are not saved," to which Mr. Determan refers, and that while the cost accountant includes them in his figures, management in its pricing policy has already considered them as a loss to be borne in some other manner than by the price of the product.

The comments of Mr. Jenkins in the January 1, 1946 *Bulletin*, and Mr. Davis in the January 15, 1946 *Bulletin*, are extremely valuable to those interested in going deeper into this problem.

HARRY E. HOWELL,
Providence Chapter.

COST CURRENTS

Senate Passes Taft OPA Amendment—A definite cost factor will be introduced in the direction of lifting OPA ceilings if the Taft Amendment to the Senate bill for extension of OPA survives sessions of House and Senate conferees, which were in progress as this issue goes to press. Manufacturers and processors, under the Senate bill, would be permitted to increase prices over those of a new base period, October 1-15, 1941, by "an amount equal to the increase in the weighted average of the per unit costs of a reasonable number of typical manufacturers or processors," since the base period.

Costs to be included in the necessary comparative computations are, in effect, referred to the profession in the provision that these costs shall comprise "all which are considered as such under the established accounting practices of the industry." It is also provided that the per unit cost of advertising shall be treated as having remained constant if it has not increased.

Obviously, the workability of the amendment is dependent on industry's readiness with reliable data on increases in costs since October, 1941. Initiative lies with industry advisory committees to apply for price increases and supply evidence related to cost increases; determination of allowable increases lies with the administrator who is required to announce the amount within 60 days. For the determination, "it shall not be necessary to obtain detailed

cost accounting reports from more than a reasonable number of typical manufacturers and processors." The administrator is to exclude from his calculations any whose costs are completely abnormal.

New products are not covered by the Taft Amendment.

Pension Trust Contributions May be Deductible Even if Not Vested in Employees—The fact that contributions to the plan involved were not vested in employees was one of the circumstances cited by the U. S. Tax Court last January in ruling against the deductibility of such contributions in the Lincoln Electric Case. The decision in this case cast doubt on the deductibility of contributions in a wide variety of instances where they are either not vested in employees or could be forfeited by them.

In a recent release (Mimeo. No. 6021) the Internal Revenue Bureau has ruled that the factors cited above are not of themselves determining as to the deductibility of contributions to pension trusts. The release states that in an actuarially determined plan, "Where the effect of forfeitures is reasonably anticipated and limited by discount or otherwise, contributions will be considered as compensation for services actualiy rendered and, if the sum of such compensation and other compensation is reasonable for the services actually rendered, as ordinary and necessary expenses, and will accordingly be allowed."

It is pointed out, however, that, "The lack of provision for vesting the rights of the employees to or derived from the contributions may result in discrimination in favor of officers, stockholders, supervisors or highly compensated employees or may disqualify the contribution as ordinary and necessary expense or as compensation for services actually rendered, and so disqualify the contribution as a deduction."

In substance, it would appear from the release that recognition in a Pension Trust of employee turnover, implicit in forfeitability provisions, does not disqualify the contribution by a corporation to such a Trust as a deductible item for tax purposes. However, the amount of the contribution should give consideration to the fact that a portion of the employees currently covered will not ultimately benefit from the Trust.

IN THE NEWS

Hampton Roads Conducts Salary and Wage Survey

HAMPTON ROADS Chapter of N. A. C. A. released in May the results of a Confidential Salary and Wage Survey conducted in the Hampton Roads industrial area during the past winter. Printed in an attractive 37-page booklet which lists complete statistical results, the survey reveals that wages in this important Virginia industrial region rose from 25 to 51 per cent between January, 1941, and January, 1946. Undertaken to acquaint employers as well as the general public with the constructive work carried on by N. A. C. A., reports on the survey were mailed to some 400 business concerns in the Hampton Roads area upon completion.

Receiving wide publicity in various Virginia newspapers, the survey proved of exceptional timeliness in view of the constant pressure of employee groups for salary and wage adjustments and because of the lack of general information with which to compare prewar and postwar wage standards. In the introduction to the survey the hope is voiced that "management and labor will reach a satisfactory accord in their numerous wage controversies so that no further delay will be occasioned in carrying out the reconversion program as the initial step to a healthy postwar economy." It is felt that the survey, by presenting unbiased and statistically accurate figures on which fair comparisons can be based, may play some part in helping reach the accord between labor and management that is so earnestly desired.

Questionnaires were mailed in January to 396 business enterprises, requesting information regarding the predominant minimum and maximum compensations paid in January, 1941, and January, 1946, to stenographers, secretaries, typists, clerks, bookkeepers, timekeepers, calculating and accounting machine operators, working foremen, truck drivers, and skilled and unskilled labor. The year 1941 was chosen for purposes of comparison as it was felt that this was a more or less normal time when business conditions had as yet been uninfluenced by the defense spending program and when the country has passed through the final stages of the depression of the 1930's. Of the 396 employers solicited, 102, or almost exactly 25 per cent, submitted completed questionnaires. The Survey Committee felt justified in accepting the results as representative and reliable.

The findings of the survey revealed quite clearly the increase in wages and salaries brought about in this large industrial area of Virginia as a result of wartime conditions. The predominant percentage rise in wages was in the unskilled labor group, whose compensation rose 51 per cent during the five-year period, the average hourly wage of unskilled workers in January, 1946, being 63.4 cents an hour as compared with 42 cents an hour in 1941. Truck drivers were next, receiving in general a 37.5 per cent increase, with intermediate clerks following closely with an increase of

35.2 per cent, stenographers 33.7 per cent, accounting and calculating machine operators 31.7 per cent, foremen 31.6 per cent, junior clerks 31.2 per cent, senior clerks 29.1 per cent, time keepers 28 per cent, secretaries 27.6 per cent and bookkeepers 25.7 per cent. Typists as a group received the lowest over-all wage increase, 24.4 per cent.

The Hampton Roads Wage and Salary Survey was conducted under the supervision of a committee consisting of Publicity Director A. Winston Sykes, Budget Statistician for the City of Norfolk, the late William J. Taylor, Past President of HAMPTON ROADS Chapter of N. A. C. A., and W. C. Hurt, Jr., Director of Publications, HAMPTON ROADS Chapter, who is associated with Colonial Stores Bakeries of Norfolk as Chief Accountant.

A copy of the survey is being mailed to each N. A. C. A. Chapter.

Birmingham Sponsors Business Show

Another in the long record of successful N. A. C. A. Business Shows was sponsored by BIRMINGHAM Chapter on May 22, 23, and 24, at the Municipal Auditorium in Birmingham, Ala. Attracting thousands of visitors during the three days in which the exhibits were open to the general public, the Birmingham Business Show was not only the first to be held in the Southeast this year but the first in that region since before the war. Great interest was displayed by visitors in the many new types of business machines developed in recent years, machines which due to wartime conditions had not been available for display to the general public. More than 25 leading manufacturers of business machines, business systems and office furniture cooperated with BIRMINGHAM N. A. C. A. Chapter to make the three-day show an outstanding success.

The keynote of the Birmingham Business Show was "What's New." In a pre-show interview, Committee Chairman Taylor stated that numerous new products had been developed during the past few years which had been denied to many business organizations during the war, and that because of the war it had been impossible for many accountants and business establishments to consider changes of equipment and systems. The show was dedicated to displaying, in many cases for the first time, the latest equipment and accounting machines which will eventually lead to a speeding up and "streamlining" of business methods.

William Taylor, Jr., Publicity Director of BIRMINGHAM Chapter, and James L. Brownlee, Past President of BIRMINGHAM Chapter, were in over-all charge of the arrangements for the show.

IN THE PUBLIC EYE

A special N. A. C. A. Tax Committee of BIRMINGHAM Chapter has been assisting the Revenue Survey Committee of the State of Alabama in its survey of state tax laws. The Survey Committee, consisting of members of the State House of Representatives and Senate, is making a complete and detailed study of the revenue laws of the State of Alabama with a view to eliminating technical difficulties and creating a fairer and more equitable

system of taxation. Hartwell A. Greene is N. A. C. A.'s Tax Committee Chairman.

Secretary Dante J. R. Suffredini of PHILADELPHIA Chapter acted as N. A. C. A. representative at a recent meeting of the Systems and Procedures Managers Association in that city.

Six members of BRIDGEPORT Chapter served recently as a Committee on Economic Research for the Bridgeport Chamber of Commerce, compiling and making available for publication the results of a survey on the effects of OPA regulations on manufacturing and employment in the Bridgeport area.

William A. Cook, BALTIMORE, lectured recently to a cost accounting class at the University of Baltimore on the topic, "A Practical Application of Joint Cost Methods in the Meat Packing Industry."

W. L. McKinnon, HOUSTON Chapter, talked recently to a class in office management of the University of Houston on the subject of "Office Manuals."

Seven members of BOSTON Chapter are to serve as instructors on the faculty of the Northeastern University Evening School of Business which is sponsoring an Advanced Accounting Refresher Course.

Past President Ben Sayre of CHICAGO Chapter was a guest speaker recently at a meeting of the National Association of Women Accountants. He also took part, at the request of the Governor of Wisconsin, in a Seminar held at the University of Wisconsin.

Members of BROOKLYN Chapter continued to serve on the Committee of Federal Taxation on Corporation Income of the Brooklyn Chamber of Commerce during the past year.

Members of the PHILADELPHIA Chapter represented N. A. C. A. at the 1946 Philadelphia Accounting Forum, held recently at the University of Pennsylvania, at the invitation of the Philadelphia Chapter of the Pennsylvania Institute of Certified Public Accountants.

Past President Don Duvall of the BINGHAMPTON Chapter has been acting as Broome County Committee Chairman for the Collection of Food for European War Victims.

NEW ORLEANS members William P. Carr, Edward S. Rittler, and John L. Favaloro have been lecturing to students of the Loyola University.

WASHINGTON Chapter donated sufficient money at a recent meeting to send thirty food packages to French children.

Sebert Schneider of SCRANTON addressed the graduating class of a local high school on the possibilities of accounting as a career.

Six members of PHILADELPHIA Chapter represented N. A. C. A. in the Joint Business-Educators Group clinic meeting on "Training Office Help." Meeting was held at Temple University.

CONGRATULATIONS TO . . . .

Edward M. Douglas, NEW YORK, recently promoted to the position of Vice President of International Business Machines Corp. Mr. Douglas, a member of N. A. C. A. since 1937, has been associated with International Business Machines for more than 20 years in various sales, sales management and executive capacities.

T. W. Bonnevier, Secretary of CHICAGO Chapter, 1945-46, promoted to the position of Controller of Acme Steel Co. Bonnevier was formerly with the Tax Department of the same company.

Cecil F. Adamson, PIEDMONT Chapter, recently elected Secretary and Assistant Treasurer of the Wilkes Hosiery Mills Co. of North Wilkesboro, N. C., who received the Legion of Merit for his work in price analysis and contract termination during the period April, 1944 to January, 1946. Adamson served as a Lieutenant-Colonel in the Quartermaster Corps in the Chicago Quartermaster Depot during this period.

Ramon Zapico, President-elect of CUBA Chapter for 1946-47, appointed Professor in the School of Business Administration of the University of Havana.

Mrs. Elsie M. Breedlove, HAMPTON ROADS, chosen as Treasurer of the Virginia Federation of Business and Professional Women's Clubs.

Gerald G. Wood, Director of Meetings of BINGHAMTON Chapter, 1945-46, recently promoted to Assistant Personnel Director of Ansco Corp.

Otto A. Goethals of Moline, Ill., TRI-CITIES Chapter, named Works Auditor of the new Louisville plant of the International Harvester Co. Goethals, Membership Director of TRI-CITIES Chapter in 1945-46, formerly served as Assistant Auditor with International Harvester in Rock Island.

Captain Lionel C. Peppell, USNR, WASHINGTON Chapter, awarded the Legion of Merit "for exceptionally meritorious conduct in the performance of outstanding services to the Government of the United States as Cost Inspector in the San Francisco Bay Area of the 12th Naval District from August, 1940 to December, 1942, and as Supervisory Cost Inspector in the 13th, 3rd, and 5th Naval Districts successively from December, 1942 to August, 1945." Captain Peppell, formerly with Haskins & Sells, San Francisco office, before being called to active duty, is currently engaged in revising the cost accounting system and budgetary control system of Navy shipyards.

John J. Wrinn, HARTFORD, promoted to Control Manager of the Naugatuck Footwear and Woonsocket plants of the U. S. Rubber Co. Wrinn was formerly Assistant Control Manager with the same organization.

Charles G. Ghesquiere, DETROIT, formerly Assistant Auditor of the Detroit Edison Co., advanced to the position of Auditor. Harris R. Symes, formerly Staff Auditor, replaces Ghesquiere as Assistant Auditor.

Joe Farnung, ROCHESTER Chapter, elected President of the local Main-Goodman Business Men's Association.

Past President Francis L. Haskell of HARTFORD Chapter, recently elected to the Board of Directors of the Clayton Manufacturing Co., Bristol, Conn.

IN BRIEF

MILWAUKEE Chapter is forming its own Spot Club. . . . Members of BALTIMORE Chapter have been appearing recently before classes at local colleges and universities. . . . RICHMOND Chapter has held informal weekly N. A. C. A. luncheons during the past year. . . . BIRMINGHAM recently played host to over fifty members of ATLANTA Chapter over the week-end. Seems BIRMINGHAM lost to ATLANTA the last two years in the Stevenson Trophy race, and was simply paying off as a good loser.

LOS ANGELES Chapter has inaugurated the first of a series of private demonstrations of business machines for the benefit of its members. Local manufacturers' representatives are arranging to display their products for N. A. C. A. members, which will give them an excellent opportunity for first-hand inspection of the latest mechanical aids to accounting. The first demonstration was put on before 70 Los Angeles N. A. C. A. members and was enthusiastically received.

BIRMINGHAM Chapter has published reprints of all the talks made at its technical sessions during the past chapter year. A number of industrial concerns have requested copies for the benefit of their key employees, and a plan is under way to make distribution to local libraries.

A number of CUBA Chapter members journeyed from Havana recently to visit their fellow members at Santiago de Cuba. While there they managed to make plant visitations to both the Bacardi Distillery and the Hatuey Brewery. If they were looking for new members we can think of no better form of inducement.

Of more than 800 N. A. C. A. members in the armed services as of V-J Day, 265 have returned to resume their active membership in N. A. C. A.

NEWARK Chapter presented to the newly formed PIEDMONT Chapter a goodly number of N. A. C. A. badges—a thoughtful gesture, and one which we're sure has been appreciated by our new N. A. C. A. Chapter.

The regular monthly meeting of the National Board of Directors, scheduled for May 24, was cancelled on account of the nation-wide rail strike. . . . Mr. Raymond P. Marple, National Assistant Secretary, visited the HARRISBURG, HAGERSTOWN, and READING Chapters during the week of May 14-17, swinging up to BINGHAMTON to attend their meeting on May 23.

A number of N. A. C. A. Chapters and individual members have been contributing their services recently to charity drives in various parts of the country. To mention a few. . . . Lester Wright, CEDAR RAPIDS, audited the receipts of the Cedar Rapids Gazette Charities, Inc., during a recent drive. L. J. Miles, Publicity Director of CEDAR RAPIDS Chapter, served as Treasurer of the Drive. . . . CHATTAHOOCHEE VALLEY members audited records recently of a Sunday School, a USO, an Orphans' Home, and the Junior League and Boy Scouts of Columbus, Ga. . . . SYRACUSE, SOUTH BEND, TOLEDO, ATLANTA, UTICA, and CHATTANOOGA have been auditing Red Cross funds. . . . TRI-CITIES personnel worked on a Boy Scout fund. LEHIGH VALLEY Chapter members audited a Salvation Army debt liquidation campaign.

Death claimed two former N. A. C. A. Chapter Presidents during the month of May, William F. Worall, 63, President of HARTFORD Chapter, 1925-26, and William J. Taylor, 45, President of HAMPTON ROADS Chapter, 1944-45. Karl G. Wilms, Vice President of SPRINGFIELD Chapter 1945-46, also passed away last month.

William F. Worall, for many years Chief Accountant of International Silver Co. of Meriden, Conn., died in Tucson, Ariz., where he had gone in 1940 for reasons of health. A member of N. A. C. A. since 1922 and a frequent visitor to the annual conventions, Mr. Worall was well known to many of the earlier members of N. A. C. A.

William J. Taylor, born in England and educated in Canada, was for many years engaged in cost accounting work in the fields of mining, smelting, and milling. At the time of his death he was Office Manager in charge of Personnel and General Accounting with the Virginia Smelting Co. of West Norfolk, Va. Mr. Taylor was the author of the article "Accounting for Control of Returnable Items," published in the July 15, 1944 edition of the N. A. C. A. *Bulletin*.

Karl G. Wilms, 44, associated with the George W. Prentiss Co. of Holyoke, Mass., had been extremely active in N. A. C. A. activities in the last few years and had been nominated recently for the post of President of the SPRINGFIELD Chapter for the year 1946-47.

Seven other deaths among N. A. C. A. members were reported during the month of May—

Lawrence H. Leonard, 57, one of the charter members of the CALUMET Chapter of N. A. C. A. Mr. Leonard was associated with the Metal & Thermit Corp. of East Chicago.

Victor M. Peterson, 60, HARTFORD Chapter, a member of N. A. C. A. since 1925, and since 1906 associated with the Goodyear India Rubber Glove Co. (later absorbed by the U. S. Rubber Products Co.) of Naugatuck, Conn.

George G. Olive, 48, JACKSON Chapter, Vice President of the Corr-Williams Tobacco Co. of that city.

Howard L. Chambers, 55, for many years an active member of the SOUTH BEND Chapter.

Robert L. Wolfe, 35, PHILADELPHIA Chapter, of Karl Seiler & Sons, that city.

Raymond Gapp, 45, CHICAGO Chapter, associated with the National Cash Register Co. in that city.

William A. Anderson, 57, CLEVELAND Chapter, a member of N. A. C. A. for fifteen years, associated with the National Malleable and Steel Castings Co., of that city.

CHAPTER RATINGS

For ~~Eleven~~ 12 Months Ending May 31, 1946

	Membership First of Month	Applications, Reinstatements, and Transfers	Member Attendance	Publications	Publicity	News Letters	Program	Employment	Board Meetings	Meeting Notices and Reports	Bulk Mailing	Financial Budget and Reports	Special Activities	Total
1. Providence	308	1125	1797	480	303	240	200	120	540	170	50	100	500	5625
2. Birmingham	175	1125	1668	538	288	240	200	120	540	180	50	100	500	5549
3. New Hampshire	103	1104	1599	339	282	240	200	113	540	180	50	100	500	5247
4. Scranton	117	1125	1187	464	239	240	200	119	540	180	50	100	500	4944
5. St. Louis	333	997	1219	450	304	240	200	115	539	180	50	100	500	4894
5. Newark	478	1036	1180	480	283	240	200	120	540	180	50	100	485	4894
7. Dallas	136	1125	1244	408	184	240	200	120	536	180	50	100	500	4887
8. Hampton Roads	109	1125	1103	406	271	240	200	111	540	171	50	100	500	4817
9. Philadelphia	614	1101	951	480	306	240	200	120	540	170	50	100	500	4758
10. Des Moines	88	1075	1297	391	101	200	200	99	540	180	50	100	500	4733
11. Atlanta	195	1125	986	402	274	240	200	117	536	180	50	100	500	4710
12. Cleveland	484	813	1221	450	247	240	200	120	539	180	50	100	500	4660
13. Hartford	368	931	1021	460	315	240	200	120	540	180	50	100	500	4657
14. Rochester	313	962	1041	415	306	240	200	118	540	180	50	100	500	4652
14. Utica	103	1029	1136	393	282	240	200	111	524	167	50	100	420	4652
16. Boston	764	1029	947	460	264	240	200	120	540	180	50	100	500	4630
17. Los Angeles	365	1035	996	535	211	240	200	120	540	172	50	100	430	4629
18. Jamestown	92	1084	940	391	271	240	200	120	540	180	50	100	500	4616
19. Chicago	800	991	937	485	272	240	200	119	539	180	50	100	500	4613
20. Toledo	205	1058	922	406	285	240	200	120	540	180	50	100	500	4601
21. New Orleans	178	1079	1114	420	253	240	200	105	498	170	40	100	360	4579
22. New York	1585	989	923	510	219	240	200	120	540	180	50	100	500	4571
23. Lehigh Valley	100	982	981	386	310	240	200	106	538	170	50	100	500	4563
24. Worcester	160	957	969	420	271	235	200	120	540	180	50	100	500	4542
25. Brooklyn	313	1060	905	400	302	240	200	118	537	180	50	100	500	4538
26. Chattahoochee Valley	74	1119	1488	308	204	160	200	104	265	151	50	25	435	4509
27. Evansville	71	1125	1243	256	200	220	200	91	516	171	50	50	385	4507
28. Erie	135	1028	880	420	257	240	200	120	540	180	40	100	500	4505
29. Dayton	396	970	902	400	315	220	200	120	540	180	50	100	500	4497
30. Minneapolis	214	1030	1216	246	181	240	200	119	540	180	50	100	375	4477
31. Houston	255	1025	819	415	285	235	200	114	540	163	50	100	500	4446
32. Memphis	103	1121	1077	333	144	240	200	119	524	170	50	100	355	4433
33. Fort Wayne	204	1021	837	402	246	240	200	120	538	168	50	100	500	4421
34. Milwaukee	416	973	874	445	184	240	200	120	538	180	50	100	500	4404
35. Hagerstown	74	950	917	398	226	240	200	115	532	172	50	100	500	4406
36. Peoria	278	964	830	360	311	240	200	119	540	180	50	100	500	4394
37. Bridgeport	262	879	851	455	301	240	200	115	519	180	50	100	500	4390
38. Indianapolis	349	1013	870	415	184	240	200	120	540	172	50	100	480	4384
39. Springfield	236	765	945	448	286	240	200	120	536	180	50	100	500	4340
40. Columbus	202	1060	743	418	204	240	200	97	532	175	50	100	500	4319
40. South Bend	121	1031	982	407	206	240	200	51	540	172	40	100	350	4319
42. New Haven	183	1054	996	402	258	180	200	110	540	180	40	100	255	4315
43. Baltimore	258	1028	841	385	248	240	200	120	540	180	50	100	375	4307
44. Williamsport	140	1084	814	294	285	240	200	114	538	175	50	100	405	4299
45. Lancaster	197	797	910	414	271	235	200	115	540	180	50	100	485	4297

	Membership First of Month	Applications, Reinstatements and Transfers	Member Attendance	Publications	Publicity	News Letters	Program	Employment	Board Meetings	Meeting Notices and Reports	Bulk Mailing	Financial Budget and Reports	Special Activities	Total
46. Tri-Cities	186	754	839	426	296	220	200	119	540	180	50	100	500	4224
47. Chattanooga	111	963	945	324	188	240	200	118	538	180	50	100	365	4211
48. Akron	178	1031	804	350	138	200	200	119	538	175	50	100	500	4205
49. Grand Rapids	140	1049	1015	184	132	240	200	120	503	180	50	100	395	4168
50. Detroit	838	642	943	415	219	240	200	120	540	180	50	100	500	4149
51. San Francisco	304	933	830	430	228	240	200	120	536	180	50	100	290	4137
52. Maine	91	1033	878	218	259	220	200	94	527	180	50	100	320	4079
53. Denver	151	670	931	356	227	240	200	110	540	180	50	100	460	4064
54. Greenwich	93	771	866	300	264	240	200	115	535	180	50	100	435	4056
55. Decatur	123	1025	728	420	135	240	200	108	482	180	50	100	375	4043
56. Richmond	119	1055	1240	316	72	140	200	50	394	145	50	100	260	4022
57. Syracuse	224	1015	851	228	219	180	200	102	533	180	50	100	355	4013
58. Buffalo	323	640	782	395	274	240	200	119	540	168	50	100	500	4008
59. Albany	110	965	884	293	233	220	200	96	508	180	50	75	270	3974
60. Nashville	68	700	1225	390	144	140	200	109	536	130	40	100	225	3939
61. Pittsburgh	486	659	796	425	260	200	200	110	529	180	50	100	380	3889
62. Youngstown	176	854	655	390	264	240	175	110	538	155	50	100	350	3881
63. Reading	105	618	813	354	256	240	200	113	540	180	50	100	415	3879
64. Kansas City	274	712	828	335	229	240	200	94	538	180	40	100	320	3816
65. Washington	217	1084	903	190	201	240	200	88	536	168	50	100	20	3780
66. Muskegon	49	1089	1204	..	115	100	200	94	495	98	50	100	230	3775
67. Saginaw Valley	92	991	901	218	220	200	200	118	484	180	50	100	90	3752
68. Wabash Valley	56	992	789	300	106	240	200	89	540	167	50	100	120	3693
69. Calumet	78	1054	860	..	122	240	200	109	538	180	50	100	230	3683
70. Cincinnati	203	749	843	246	142	180	200	119	523	180	50	100	335	3667
71. Rockford	202	628	1042	210	64	180	200	110	512	180	40	100	400	3666
72. Cuba	134	552	610	432	279	240	200	116	540	180	50	100	335	3634
73. Cedar Rapids	77	965	802	113	161	180	200	104	522	151	50	50	305	3603
74. Tulsa	111	963	910	144	113	75	200	103	500	168	40	100	260	3576
75. Wichita	109	470	813	414	148	230	200	100	534	170	50	100	290	3525
76. Harrisburg	75	800	826	..	203	220	200	117	499	180	40	100	330	3515
77. York	174	263	775	312	295	200	200	119	535	157	50	100	500	3506
78. Jackson	94	1093	647	211	139	180	200	110	509	156	50	100	45	3440
79. Portland	86	592	850	233	108	140	200	100	525	180	50	95	295	3368
80. Binghamton	85	431	818	293	181	215	200	99	450	156	30	100	215	3188
81. Louisville	171	700	925	72	103	..	200	95	240	172	40	95	..	2642
82. Fort Worth	58	1044	701	..	105	40	..	80	338	136	10	25	65	2544
83. Hawaii	87	484	..	..	54	160	..	..	205	108	..	50	..	1061
84. Piedmont	67	490	176	..	33	..	..	5	90	16	..	..	..	810